Weekly Economic Review

Alberta earnings climb higher

Average Weekly Earnings

Goods sector pushes earnings up

April Average Weekly Earnings (AWE) in Alberta were $1,141.70, a 4.3% increase from the same month last year. The goods-producing sector, led by mining, quarrying, and oil & gas extraction, showed a substantial 7.3% year-over-year (y/y) increase, bringing that sector's average earnings to $1,629.42 (Chart 1). Earnings in the service-producing sector grew by a more muted 2.7% y/y to $980.54. Transportation and warehousing employees have seen their weekly earnings surge in the last two months, up 10% since February.

Nationally, AWE reached $932.13, an increase of 3.3% y/y. Alberta continues to lead the provinces in AWE. One of the reasons Alberta AWE has diverged from the rest of Canada is the province's strong in goods-producing sector employment, a sector with relatively high earnings.

Rigs Drilling

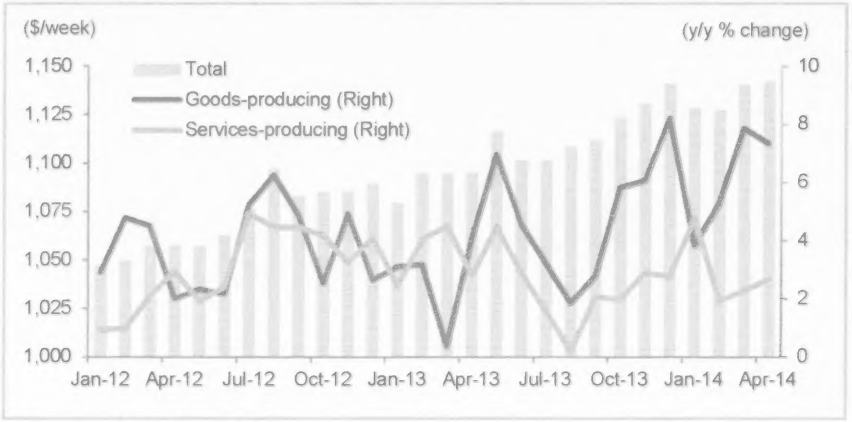
Natural gas drilling expands

The average number of rigs drilling in Alberta was 150 in June, 29.7% above the same month last year. Drilling has expanded 5.0% year-to-date.

While more dated than rigs drilling, data on meters drilled is more detailed and illustrates the source of recent growth. Total metres drilled in Alberta increased 75.4% y/y in April with impressive growth from natural gas (184.3%) and conventional oil (36.0%). April is typically a low month for drilling activity. Natural gas suppliers were likely responding to a considerable drawdown of gas storage, which elevated prices between February and April (Chart 2). Current storage of natural gas in Canada is well below the five-year minimum, and was the driving force behind the first quarter spike in the Alberta Reference Price for natural gas. The number of metres drilled for bitumen also increased, up 29.0% in April (Chart 3). Total metres drilled were up 35.3% year-to-date, owing to strong growth in each of the first four months of the year.

Chart 1: Goods-producing sector buoying Average Weekly Earnings

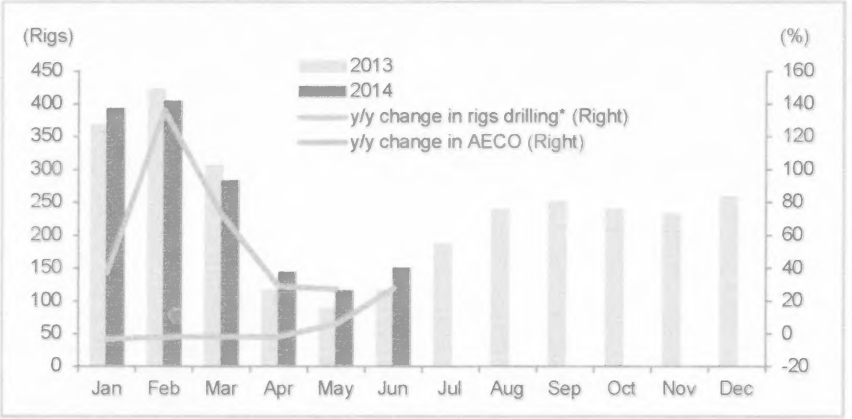
Average Weekly Earnings and Year-over-Year Growth in Earnings by Sector



Source: Statistics Canada

Chart 2: Rigs drilling expands with natural gas price hike

Alberta Rigs Drilling and AECO Natural Gas Price



Source: Canadian Association of Oilwell Drilling Contractors

* 3-month moving average

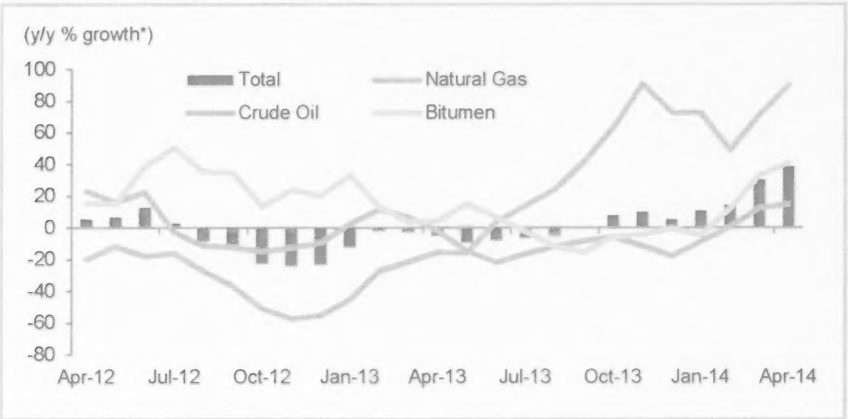
Rail Transport

Carloadings edge up

Increased shipments of agricultural products and crude oil pushed the number of railcars moving from western Canada up slightly, by 0.4% y/y to 164,000 in April. Shipments of wheat (+10.7% y/y), Canola (62.0%), and animal feed (+18.4%) drove the increase in agricultural shipments (Chart 4). Movement of crude oil continues to climb up 38.6% y/y and 43.2% year-to-date. Lower movements of lumber and potash continue to weigh on total carloadings.

Chart 3: Growth in natural gas leads metres drilled

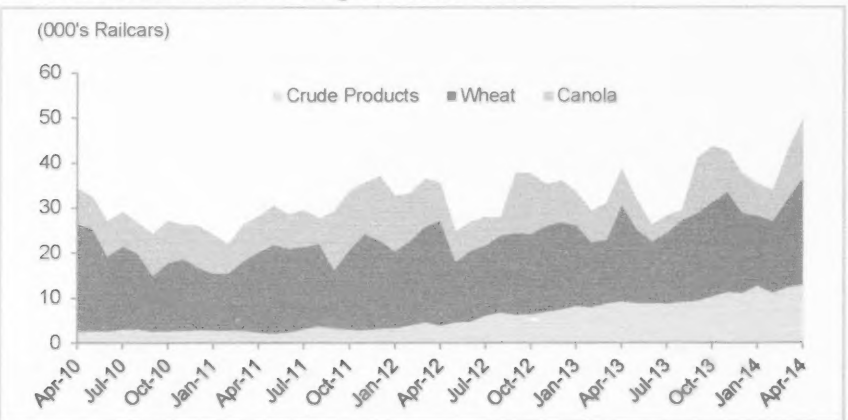
Year-over-year Growth in Metres Drilled



Source: Alberta Energy Regulator
* 3-month moving average

Chart 4: Big uptick in movement of wheat, canola and crude products

Western Canada Railcar Loading of Select Products



Source: Statistics Canada

Residential Investment

Alberta bucks national trend

Real investment in residential structures has grown steadily since late November 2011, increasing a solid 7.0% y/y in April. With the exception of Alberta and British Columbia, all other provinces have had negative growth over most of the last year, with national investment down 4.4% y/y in April and by 4.0% year-to-date. Much of the investment in Alberta stems from apartment and multi-unit structures, though investment in single-unit dwellings was up 4.3% year-to-date.

US Housing

May sales impress

Sales of existing homes in the US rose by 4.9% in May, the highest monthly gain since August 2011. Even with the increase, sales were still 5.0% below May 2013, in contrast with the median sale price, which was up 5.1% over the same period. Sales of new single-family houses in May were 18.6% higher than in April and 16.9% above May 2013.

US GDP

A cold wind blows

US GDP growth in the first quarter was revised down by 0.9 percentage points to -2.9% making it the largest contraction since the 2008-09 recession. Markets largely ignored the revision as it spoke more to the severity of the winter weather than the health of the economy. Early indicators suggest the economy bounced back strongly in the second quarter.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.